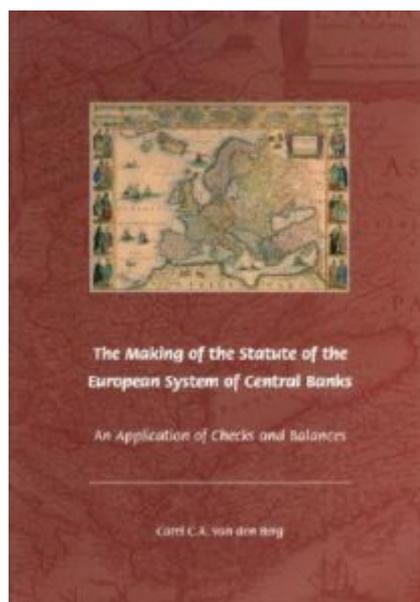


The Making Of The Statute Of The European System Of Central Banks

~ Chapter 1 - Introductory

Chapter



Zur Thematik

The creation of the Economic and Monetary Union (EMU) is one of the most profound steps in the monetary history of Europe, which has significance not only for professionals, politicians and academics, but also for everyday life. Among the accomplishments that stand out are the establishment of a federally structured European System of Central Banks (ESCB)[\[i\]](#) and the introduction of a single currency. The opinions and decisions of the European Central Bank (ECB)[\[ii\]](#) are almost daily topics for the national newspapers, discussions on its accountability (or perceived lack thereof) are recurrent topics in the European Parliament and political and academic circles. In short, the ECB has become a reality for almost everyone within a couple of years since its establishment. Technically it has been successful: the transition from national currencies to a single currency, the euro, has been a remarkably smooth process despite the gigantic scale of the operation. Though it is too early to evaluate how effective the ECB is in implementing its mandate, for the Monetary Union as a whole inflation rates are lower than they were during a large part of the nineties.

The legal underpinnings of the System and its independence have been extensively studied, see e.g. Stadler (1996), Smits (1997) and also Endler (1998). Also, from a political angle, the degree in which the negotiations leading up to the signing of the so-called Treaty of Maastricht in February 1992 could be characterized as a success for the German or for the French negotiators has been analyzed, e.g. by Viebig (1999) and Dyson/Featherstone (1999). In many respects these authors have concluded that it was a German success. However, the ESCB is not a copy of an existing central bank, not even the Bundesbank. It has been

established on the basis of a unique Statute.[\[iii\]](#) This Statute will guide the ECB, also in the future. But like many texts, the Statute is sometimes ambiguous. For a right interpretation of the texts it is important to know their genesis. Sometimes wording was copied from existing other texts, sometimes texts are a delicate compromise, sometimes texts have a difficult technical history.

What distinguishes this study from these other studies is that these studies analyzed the ESCB from only one perspective, i.e. either from a legal, political or economic point of view. This study aims to show how political, economic and institutional considerations were combined and have found their way into the (legal) wording of the ESCB Statute. To this end I focus on each article, describing the economic rationale behind it as well as its genesis, systematically using historical sources which until now have not been used for these purposes. The perspective I take in order to interpret, analyse and assess the Statute of the ESCB is that of checks and balances. We will identify and study the 'checks and balances' which have been introduced in the Statute of the ESCB. 'Checks and balances' are an important characteristic of any federally designed system. They are part of the 'rules of the game', which have to be taken into account by the components of the system, which rules should ensure the system's stability and effectiveness. For instance, 'checks and balances' prevent the possibility of 'winner takes all', because this would mean the end of the federal character. A clear normative framework for checks and balances for federal central bank systems is not available, though there are general notions which any workable system of checks and balances has to accord with. Therefore, we will develop a framework to describe the checks and balances in central bank systems.

The concept of checks and counterchecks also played a role when the American central bank system (the Federal Reserve System, FRS) was designed. A nice description can be found in P.M. Warburg in his book 'The Federal Reserve System, Its Origins and Growth' (1930), p. 166: 'The position of the Reserve Board, as designed in the Act [of 1913], was bound to prove exasperatingly difficult and trying. The office was burdened with the handicap, commonly imposed upon so many branches of administration in a democracy, of a system of checks and counter-checks - a paralyzing system which gives powers with one hand and takes them away with the other. [...] Success or failure in such cases generally depends on the wisdom with which the balancing of the checks and counter-checks in a legislative act is handled, and on the intelligence with which,

later on, the act is administered.’ And *ibidem* p. 170: ‘[...] many attempts were made to find a satisfactory answer to the tantalizing puzzle of how to safeguard the autonomy of the reserve banks while giving, at the same time, adequate coordinating and directing powers to the Reserve Board.’ From our study it appears that these considerations were still relevant for the conception of the European central bank.

Organization of the book

This book is organized as follows. In *Chapter 2* we will deal in more detail with the concept of ‘checks and balances’. This concept is predominantly of American origin, the American Constitution being a prime example of the application of checks and balances. Another example is the Federal Reserve Act, which is also full of checks and balances. And, to complete the cycle, the Americans introduced checks and balances in the design of the post-war German central bank system, based as it was on State central banks, while its successor, i.e. the Bundesbank,[\[iv\]](#) has been a model for the ESCB. We analyze the concept of checks and balances and derive some notions which are applicable to federally designed central banking systems.

After this more theoretical chapter we turn to a description of the genesis of the articles of the ESCB Statute, which forms an important part of this study (*Chapters 3 to 11*).

For analytical purposes we distinguish three clusters, which are defined as follows: (1) articles dealing with the relations between the ESCB and the political authorities (*inter alia* independence, mandate, competences, accountability), (2) articles describing the relation between the ECB and the NCBs (how centralized or decentralized is the system?), and (3) articles relating to the balance of power within the Governing Council, i.e. the relation between the Executive Board and the governors of the NCBs (voting power of the governors, role of the Executive Board). This distinction also reflects the discussion in the Committee of Governors, which drafted the draft ESCB Statute.[\[v\]](#) Each of these three clusters is characterized by specific checks and balances. In each of the three areas delicate compromises were necessary. In the first area this was necessary, because the Member States (and their NCBs) had different traditions as regards the (need for) independence of the central bank. In the second area, because a number of NCBs (most prominent among them the Banque de France) were strongly of the opinion that the System should be based as much as possible on

the principle of subsidiarity. They wanted to centralize decision-making, but not its implementation. This conflicted with the priority of the Bundesbank to ensure (in a legal and operational sense) that in Stage Three monetary policy would be one and indivisible.[\[vi\]](#) In a situation where decentralized implementation could conflict with this, they (the Bundesbank) wanted to be sure that priority would be given to indivisibility, and not to the principle of subsidiarity. The Bundesbank wanted to ensure that the system was strong and would act decisively, it being afraid of national politicizing. In the third area, which relates to the decision-making powers within the Governing Council, difficult checks and balance-issues concerned the relative strength of the Executive Board vis-à-vis the governors in a number of policy and operational areas.

Each of the three clusters will be set up as follows: one chapter with a general introduction, a second chapter with the genesis of selected articles [\[vii\]](#) (including per article a comparison with the Federal Reserve System (FRS)) and a third chapter with conclusions (including suggestions for possible improvements in the checks and balances of that cluster) - these are to be found in *Chapters 5, 8 and 11*. In the text generous reference is made to draft versions of the articles, starting with the wording used in the Delors Report and through the draft versions discussed by the Committee of Governors to the drafts discussed at the IGC. These references serve two purposes: first, to contribute - where necessary - to a fuller understanding of the history of the article; and second, to serve as source for future references.

In the final chapter (*Chapter 12*) we will present some general observations based on the chapters describing the genesis of most of the articles of the Statute and we will assess the system of checks and balances in the ESCB Statute against the theoretical framework developed in chapter 2: did the drafters of the Statute create a stable framework or does the framework need to be enhanced? We will also arrive at a recommendation as to which elements, usually checks and balances, contained in the Statute or that part of the EC Treaty relating to EMU should be seen as having constitutional status and should deserve a place in a possible European Constitution.

I will conclude this Introductory Chapter with a description of the main actors (committees, persons) and documents in the run up to Maastricht, which will also serve to describe the historical setting. This will allow me to work with short-hand references in the remainder of the study.

Methodology and sources

Since Maastricht, where the Treaty was signed on 7 February 1992, many documents relating to the negotiations have been published and many inside stories have been told. A new element this study will bring along is a thorough study of almost all draft versions of the articles of the Statute (and Treaty where relevant), starting from the draft versions of (and discussions leading to) the Delors Report. It will appear that many texts of the statutes can be retraced directly to the wording used in the Delors Report. Another source of information are the discussions held in the Committee of Governors and the committee of their Alternates on the design of the draft ESCB Statute, in the run up to the Intergovernmental Conference (IGC), in which possible Treaty amendments were negotiated between Member States. The IGC meetings themselves are another important source of information. Many of the negotiations took place at the level of the representatives (deputies) of the ministers of finance, who were formally responsible for the IGC on EMU. As mentioned in the preface most of these documents were available to the author. Therefore, a rich source of information has been used to write a genesis (coming close to an exegesis)[\[viii\]](#) of important parts of the ESCB Statute.

Where useful, comparisons with the design of the Federal Reserve System (FRS) will be made. These comparisons are integrated in the chapters describing the genesis of the articles. This allows us - where necessary - to go into detail as regards specific aspects of the FRS. The Fed is taken as comparison, and not the Bundesbank, because the main purpose of the comparison is not to find similarities (of which one would expect to find more with the Bundesbank), but to find dissimilarities - which are usually more insightful than similarities.

Description of the main documents, committees and historical setting

In 1969 a study was commissioned by the Conference of the Heads of State or Government, which had met in December 1969 at the Hague at the initiative of France, to look into the various aspects of the realization by stages of economic and monetary union in the Community. The study was conducted by a group chaired by Pierre Werner and resulted in the so-called Werner Report (1970). (The deputy of Schöllhorn, the German member of the group, was no one else than Hans Tietmeyer, who would play an important role in the IGC on EMU.) However, by the mid-70s the momentum for further integration had been lost and the Report was no longer a driving force in Community developments. (For a

critical assessment of the Werner Report, see the contribution of Baer and Padoa-Schioppa in the Annex to the Delors Report.) For our study it is important to note that the Werner Report was not specific on the design, mandate and institutional position of the envisaged 'Community system for the central banks'. This makes the Werner Report less relevant as a starting point for our study into the genesis of the articles of the ESCB Statute.

The oldest document which had an important influence on the content and the actual wording of the ESCB Statute is the 'Report on Economic and Monetary Union in the European Community', the so-called *Delors Report*, [ix] named after its chairman Jacques Delors, then president of the European Commission (see Box 1 below for an overview of the main committees). This report was written in response to the mandate of the European Council meeting in Hanover on June 1988 'to study and propose concrete stages leading towards economic and monetary union'.

A good description of the run-up to and the motives for such a study can be found in André Szász (1999, pp. 85-109) and Dyson and Featherstone (1999, pp. 151-187 and 313-343). [x] Delors, who had been actively involved in promoting the completion of the Internal Market ('1992'-project), had been keen on furthering European integration for many years and he knew further monetary integration would not succeed without the assent of the Bundesbank. He had learned that the 'M-word' (monetary union) was a very sensitive issue in Germany [xi] and that the independence of the Bundesbank was almost of a constitutional nature. [xii] Early 1988 the German Minister of Foreign Affairs, Hans-Dietrich Genscher, surprised the Bundesbank and the Finance Ministry by publishing a personal memorandum, calling for a 'Gremium von Sachverständigen (Rat der Weisen), das den Auftrag hat, Grundsätze für die Schaffung eines europäischen Währungsraums und ein Statut für die Errichtung einer Europäischen Zentralbank sowie ein Konzept für die während der Übergangszeit zu treffende Maßnahmen vorzulegen.' The German Chancellor Helmut Kohl sided with Genscher, especially because he considered it necessary to show his European credentials in view of the acceleration of developments in East-Germany. Kohl had always considered the unification of East- and West-Germany to be possible only in the context of further European integration. [xiii] Delors and Kohl planned secretly to make Delors chairman of this committee, which should consist further of the governors of the national central banks (and a few expert members). The inclusion of the central

bankers themselves – who were seen by politicians as at best cynical to the idea of monetary union – was a clever move. The aim was to bind in the ‘Bundesbank’. Bundesbankpresident Pöhl was enraged, but he acquiesced.^[xiv] Delors first defined the most important conceptual issues, on which the members of the committee submitted papers.^[xv] Then the rapporteurs^[xvi] of the committee started drafting various draft versions of the report for discussion by the committee. The final report was agreed unanimously^[xvii] and would form an important guiding light for the future draft ESCB Statute and the negotiations during the Intergovernmental Conference.

The Delors report contained proposals for establishing EMU in three distinct stages. At the proposal of Duisenberg, and supported by Pöhl and Delors, the Delors report ended with the suggestion that ‘The competent Community bodies should be invited [by the European Council] to make concrete proposals on the basis of this Report concerning the second and the final stages, to be embodied in a revised Treaty.’ This was taken up by the European Council summit of Madrid in June 1989, which considered that the report fulfilled the mandate given at Hanover. The European Council ‘asked the competent bodies (The Ecofin and General Affairs Councils, the Commission, the Committee of Governors and the Monetary Committee) to adopt the provisions necessary for the launch of the first stage on 1 July 1990, [and] to carry out the preparatory work for the organization of an intergovernmental conference to lay down the subsequent stages; that conference would meet once the first stage had begun and the preparatory work was sufficiently advanced and would be preceded by full and adequate preparation.’ The European Council did not set a date for the IGC. Only the European Council summit of Strasbourg in December 1989 would set a date for the start of the IGC, i.e. ‘before the end of 1990’. A procedure for starting the third stage would be adopted in Maastricht in December 1991.)

During the April 1990 meeting of the *Committee of Governors* chairman Pöhl proposed to draft the statutes for the future European central bank system covering matters such as the objective, the organization, functions, instruments and voting rights. Pöhl said governors should not enter into negotiations, because that would last a very long time, but could present to the IGC a text with alternatives, enabling the governments to be aware of the consequences of transferring powers to a central institution. This approach was welcomed by Commissioner Christophersen of the European Commission, who attended the

meeting. During their May meeting the Committee decided to aim for a short, precise, legal text by October. The Committee of Alternates (chaired by Jean-Jacques Rey of the Belgian central bank) was asked to prepare this document. The Committee of Alternates discussed many drafts, which were compiled by the secretariat of the Committee of Governors (chaired by Gunter Baer) under the guidance of Rey. A first draft dates from June 1990.^[xviii] During their monthly meetings the governors would discuss successive drafts. On 27 November 1990 a nearly complete draft was sent to the IGC. In April 1991 a complete draft was transmitted to the IGC.^[xix] The author of this study had access to the discussions both in the Delors Committee and the Committee of Governors, which present a valuable source of insight into the genesis of the articles.

The *Intergovernmental Conference* (IGC) on Economic and Monetary Union was opened in December 1990. IGCs are conducted outside the normal Community framework: the negotiations are conducted between the member states without a formal role for the Commission, though the Commission was always invited to sit at the negotiation table. The Committee of Governors was allowed to send an observer to the IGC meetings. IGCs are normally in the hands of the foreign affairs ministers - an exception was made for the IGC on EMU, which fell under the aegis of the ministers of finance. IGCs end in a meeting of the heads of state or government (usually they have to negotiate on the last remaining points), after which the unanimously approved Treaty amendments need to be ratified by all the Member States in accordance with their respective constitutional requirements (in some countries involving a referendum), before the amendments can take effect. Chairmanship of the IGC rotates according to the schedule for the rotating presidency of the Council of Ministers. The negotiations started in January 1991 under Luxembourg's presidency (first half of 1991) and were finalised under Dutch presidency (second half). Before the start of the conference the Committee of Governors had sent in their draft Statute including an Introductory Report and a commentary. The Commission sent in a working document containing a comprehensive draft Treaty amendment. The Commission supported the line taken by the Governors that the ESCB Statute would be annexed to the Treaty, thus giving it 'Treaty status', while at the same time the constitutionally important elements of the ESCB were captured in specific Treaty articles. In some important respects the Commission draft deviated from the Governors' text (for instance it had named the new system 'EuroFed' and it proposed to transfer the ownership of foreign reserves to the Community). The French delegation submitted its own

draft on 25 January 1991, while the Germans followed suit on 25 February 1991. The German draft was short on Monetary Union, as Germany fully backed the draft Statute of the Committee of Governors. During the IGC meeting of deputies of the ministers of finance on 12 March, the German deputy Horst Köhler strongly demanded that this draft Statute should not be altered. He added that, even though the German government did not agree with the Statute in all detail, it did accept the Statute as the outcome of sensitive negotiations - after which the French deputy Trichet retorted the governors had not negotiated on behalf of their governments. The UK had also submitted a proposal, based on its earlier idea of introducing a parallel currency, the so-called hard Ecu. The UK (and a similar Spanish) proposal had hardly any impact on the negotiations, as a parallel currency was regarded as detracting from, or at best a detour towards, monetary union.[\[xx\]](#) Other countries restricted themselves to submitting draft texts on specific articles or chapters. The Luxembourg presidency wrapped up discussions by continuously issuing so-called Non-papers, which were not agreed documents, but only reflected 'the prevailing drift' emerging from the discussions. Luxembourg ended its presidency by issuing on 18 June 1991 a Reference document containing 'a consolidated text of the Treaty on the Union based on the prevailing drift to emerge from the work of the two Conferences (on EMU and Political Union)'. The Dutch presidency would often work with 'chairman's papers', which could either be Issues Papers or working documents. By October 1991 most articles had been discussed, either on the basis of the Reference Document of the Luxembourg presidency or on the basis of alternative draft proposals or issue notes by the Dutch presidency. On 28 October the Dutch presidency published a first consolidated draft Treaty text, followed by a new one on 22 November, on 28 November and 5 December.[\[xxi\]](#)

The final text was agreed at a meeting of the Heads of State in Maastricht on 10 December.[\[xxii\]](#) The text went through the usual process of legal and linguistic nettoyage (sometimes called toilette) and was officially signed on 7 February 1992. During the Luxembourg presidency a limited number of amendments had been made in the ESCB Statute. Under the Dutch presidency some of these amendments were reversed and new ones were introduced.

The *Monetary Committee* [\[xxiii\]](#) brought together the highest Treasury officials and board members of the central banks. The Committee was not a decision-making body (its formal task being to prepare discussions and decisions by the

ECOFIN Council[xxiv]), which contributed to an open and informal atmosphere within the committee. It continued to meet in parallel to the IGC. Its most comprehensive document in the area of EMU is the report 'Economic and Monetary Union beyond Stage 1'. [xxv] The report dealt inter alia with the issue of budgetary discipline, the organization of the ESCB, the responsibility for exchange rate policy and touched upon the issue of phasing (i.e. the conditions for the passage to stage 2 and 3 of EMU). The Monetary Committee stayed close to the Delors Report by supporting an independent European Central Bank System with price stability as its primary objective. In some respects it went into more detail, for instance by expressing a general preference for the principle of 'one person, one vote' in the governing Council of the System.

The document of the MC was not tabled in the IGC. It helped though to forge insight in each other's preferences. This was helpful, because the representatives of the ministers (their 'deputies'), who did a lot of the negotiating, were the same persons as the representatives of the ministers on the Monetary Committee.

Box 1: Main committees, their chairmen and main output

Period	committee	chairman	main output
July 1988 - April 1989	Delors Committee	Delors	Delors Report
April 1990 - April 1991	Committee of Governors <i>Alternates Committee Rey</i>	Pöhl	ESCB Statute <i>preparatory work</i>
Dec. 1990	start IGC		
January - June 1991 Document	Luxembourg presidency <i>deputies IGC</i>	Juncker <i>Mersch</i>	Reference <i>of 18 June 1991 preparatory work</i>
July - Dec. 1991 1991, 1992)	Dutch presidency <i>deputies IGC</i>	Kok <i>Maas</i>	Maastricht Treaty (10 December signed February <i>preparatory work</i>
Oct. and Nov. 1991	EMU Working Group	ter Haar	<i>preparatory work</i>

Notes

[i] The European System of Central Banks encompasses the (newly established) European Central Bank and the (already existing) central banks of the Member States of the European Community. The ESCB was established on 1 June 1998. It became responsible for monetary policy as of 1 January 1999.

[ii] Decisions and opinions are the preserve of the Governing Council of the ECB, which consists of the Executive Board members and the governors of the euro

area national central banks. The Executive Board manages the ECB and the governors are heading the managing boards of their central banks. In many instances ECB will be used as a short-hand for the Governing Council of the ECB.

[iii] Officially called the Statute of the European System of Central Banks and of the European Central Bank.

[iv] See appendix 3 at the end of cluster III.

[v] When he informed the ministers on the progress the governors were making in designing a draft Statute during the Ecofin Council of 11 June 1990, Bundesbankpresident Pöhl, in his capacity of chairman of the Committee of Governors, singled out three areas of problems which still had to be resolved by his Committee: (1) the division of tasks between the ECB and the NCBs, (2) the division of tasks between the governors and the Executive Board and (3) the relation between the ECB and the other Community institutions. (Report on the Ecofin Council meeting of 11 June 1990 by the Representative Office of the Netherlands in Brussels (bre 2886, 12 June 1990).)

[vi] Pöhl (Bundesbankpresident) and Tietmeyer (as of 1 January 1990 vice-president of the Bundesbank) were very adamant on this. One of the factors behind this might have been earlier proposals by the Banque de France for a gradual transfer of monetary policy decision-making, for instance only in the field of the management of exchange rates and foreign reserve assets. See the proposal of the Banque de France for the creation of a European Reserve Fund (paper by de Larosière (1988) submitted to the Delors Committee, see annex to the Delors Report (1989); see also paragraph 53 of the Delors Report).

[vii] The descriptions are given per article. The study covers all articles of the Statute which are relevant for the external and internal checks and balances for the eurosystem. Articles not selected here are more of a technical or very specific legal nature. *For sake of reference we show in Annex 1 how we divided the articles over the three clusters and which articles we selected for further treatment. Article 109 of the EC Treaty on exchange rate policy will also be dealt with in this study because of its relevance for the autonomy of the ECB as well as Art. 109b and 109c(2) which are relevant for the relations of the System with the traditional EU institutions.* An article of the ESCB Statute will be denoted as 'Article X-ESCB', while an article of the EC Treaty will be denoted as 'Article Y-EC'.

[viii] Exegeses are more common in theological studies. See for instance the work of C.J. den Heyer, Dutch theologian. He has been active in showing that the formal exegesis by the protestant church of the New Testament (the Heidelberg

catechism) could be partly contested by just looking at the source and origins of the texts. Most theologians however only succeed in creating more uncertainty. The purpose here is to build a basis for the interpretation of the articles which is as factual as possible.

[ix] Committee for the Study of Economic and Monetary Union (Delors Committee), 'Report on economic and monetary union in the European Community', Office for Official Publications of the European Communities, April 1989.

[x] See also Thatcher (1993), pp. 691 and 706-8, who was firmly set against this development. For another British view, see Lawson (1992), chapters 71 and 72. Vide also Tietmeyer (2005), chapter 11-12.

[xi] See for instance Dyson/Featherstone (1999), p. 317.

[xii] Vide Bundesbankpresident Pöhl in interview with *Wirtschaftswoche*, printed in *Deutsche Bundesbank, Auszüge aus Presseartiklen* Nr. 69, 30 July 1982: "Die Unabhängigkeit der Bundesbank hat nach meiner Überzeugung den Rang einer Verfassungsnorm gewonnen und wäre deshalb durch eine Gesetzänderung mit einfacher Mehrheit wohl kaum zu beseitigen."

[xiii] When Kohl became chancellor in 1982 the European integration process was at a low point. Kohl and Mitterrand decided to intensify the German-French relations. (Helmut Kohl (1996), p. 27). Kohl believed in the importance of *Westbindung* to create trust among its western allies. (Dyson/Featherstone (1999), p. 270.) Section IIA of the genesis of Article 7 (dealt with in chapter 4 below) contains a further description of the important role played by Kohl, Mitterrand and Delors.

[xiv] Pöhl described this as one of the worst episodes in his professional life. See the Brook Lappings production for BBC2 (in cooperation with Arte TV) on the history of the single currency (March 1998): *The European Monetary Union*. Pöhl was appeased - among others - by Wim Duisenberg (Dyson/Featherstone (1999), p. 714)).

[xv] The Committee later decided to annex these papers to the report.

[xvi] Tommaso Padoa-Schioppa (Deputy Director-General of the Banca d'Italia, former Director-General DG2 Economic Affairs and described as a Delors' intellectual intimus on EMU (Dyson/Featherstone (1999), p.714)) and Günter Baer (BIS).

[xvii] The report still contained a minority position of the Banque de France, which had advocated the creation of a European Reserve Fund in Stage One (paragraphs 53-54). The report also pointed to some difficult, unresolved issues,

for instance the concept of a gradual transfer of monetary decision-making in Stage Two. Later Pöhl would state that the reference to Stage Two had been a mistake, as there could be no gradual transfer in this area (Source: discussion in the Committee of Governors, 10 April 1990).

[xviii] A very first, skeleton-like draft dates from 11 June 1990, the first comprehensive draft dates from 22 June 1990.

[xix] Also containing chapters VI - IX on financial, general and transitional provisions.

[xx] The idea of a parallel currency had already been rejected by the Delors Committee - see par. 47 of the Delors Report and Duisenberg's contribution to the Delors Committee, printed in the Report's annex.

[xxi] Annex 2 contains some further information on the documentation.

[xxii] *In view of the short preparation time it is remarkable that the IGC produced a workable Treaty tekst, with the main weakness (or 'unfinished business') occurring in the Economic Union part of EMU. In a personal diary of André Szász a remarkable observation can be found. Szász was struck by a remark made by PM Lubbers in the Cabinet room in The Hague in May 1990 during a meeting on the preparation for the IGC for Economic and Monetary Union, where Lubbers had openly wondered whether the political authorities knew what EMU would entail (adding that in his (Lubber's) opinion the implications of EMU were being kept deliberately vague). Szász leaving the meeting room together with minister of economic affairs Koos Andriessen asked Andriessen's opinion on Lubber's remark, upon which Andriessen replied: 'They have no clue! No clue at all!' (See also Szász (1999), p. 242, footnote 6.) The fact that the central bank governors did have a clue would give them a lot of clout later.*

[xxiii] As of the start of the third stage the Monetary Committee is replaced by the Economic and Financial Committee (see Article 109c(2)-EC) with basically the same composition.

[xxiv] See Art. 109b(1)-EC.

[xxv] Full title: 'Economic and Monetary Union beyond Stage 1 - Orientations for the preparation of the IGC' 19 July 1990, published in HWWA (1993), pp. 169 ff.